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ABSTRACT

This report examines recent trends in the impact of government safety net programs, such as cash assistance, food assistance, and the Earned Income Tax Credit, on poverty among children. The effect on poverty is determined by comparing the number of children who would be poor if government benefits were not counted as part of their family income with the number who are poor when benefits are counted. The report uses Census Bureau data collected annually on the incomes of the U.S. population. Because of the improving economy and increases in employment and earnings among low-income families, the number of children living in poverty has declined significantly since 1993. Between 1993 and 1995, the reduction in child poverty was substantial, but after 1995, progress continued at a much slower pace. In addition since 1995, the basic measure of the overall depth and severity of child poverty has improved very little, and the children who remain poor have, on average, become somewhat poorer. The primary reason is that the safety net became less effective in reducing the depth of child poverty between 1995 and 1998. There was a lessening of the impact of cash assistance and food stamp benefits on child poverty and a great decline in the number of children receiving assistance. However, the safety net lifted the same proportion of children from poverty in 1998 as in 1995 because the decline in the impact of cash and food assistance programs was offset by an increase in the antipoverty impact of the Earned Income Tax Credit. (Contains 11 tables.) (SLD)

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Changes Since 1995 in the Safety Net's Impact on Child Poverty

Kathryn Porter
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Summary

Due to the improving economy and increases in employment and earnings among low-income families, the number of children living in poverty has declined significantly since 1993. Between 1993 and 1995, the reduction in child poverty was substantial; after 1995, progress against child poverty continued, but at a much slower pace. (Increases in employment and earnings were primarily the result of growth in the economy. Some research indicates that changes in welfare policy and expansions in the EITC also contributed to the increases in employment and earnings by prompting more single parents to enter the labor force.)

- From 1993 to 1995, the number of children in poverty, after counting all government benefits and taxes, fell by 2.4 million.

- By contrast, in the 1995-1998 period, the number of poor children after counting government benefits and taxes fell 1.2 million — half as much — despite the fact that this period is one year longer than the 1993-1995 period.

- Measured on an annual basis, the number of poor children declined at a rate of 1.2 million per year between 1993 and 1995 and at a rate of 400,000 a year — one-third as much — between 1995 and 1998.

In addition, since 1995 the basic measure of the overall depth and severity of child poverty has improved very little, and those children who remain poor have, on average, become somewhat poorer.

To measure the depth of child poverty, the Census Bureau uses a measure called the "child poverty gap." The child poverty gap is the total amount by which the

incomes of all children who are poor fall below the poverty line. Stated another way, the child poverty gap is the amount of money it would take to lift all poor children to the poverty line. In computing the child poverty gap, the Census Bureau divides the amount by which a poor family falls below the poverty line by the number of people in the family. The Census Bureau then assigns the "per-person poverty gap" for the family to each child in the family. Thus, if a family with two parents and one child falls $3,000 below the poverty line, the poverty gap for the child in the family is $1,000. The overall U.S. child poverty gap reflects both the number of children in the country who are poor and the depth of poverty of each poor child (i.e., how far each poor child falls below the poverty line).

- In 1993, the child poverty gap, measured after counting government benefits and taxes (including the Earned Income Tax Credit), was $20.3 billion. By 1995, this gap had narrowed to $16.8 billion. The child poverty gap declined $3.5 billion between 1993 and 1995, or 17 percent. (These figures are adjusted for inflation.)

- By contrast, between 1995 and 1998, the child poverty gap after counting government benefits and taxes hardly budged, declining only $400 million (from $16.8 billion to $16.4 billion). This represented a narrowing of this gap of just 2 percent.

- The reason the child poverty gap changed so little between 1995 and 1998, despite strong economic growth and a decline in the number of poor children, is that the children who remained poor became poorer, on average. In 1995, poor children fell an average of $1,471 below the poverty line. By 1998, they fell an average of $1,604 below the poverty line.

- The $1,604 figure for 1998 represents the largest poverty gap per poor child recorded since these data were first collected in 1979.

The Census data show that the primary reason poor children became poorer between 1995 and 1998 is that the safety net became less effective in reducing the depth of child poverty.

- In 1995, the child poverty gap stood at $45.1 billion *before* counting government benefits and taxes. *After* counting government benefits and taxes, the child poverty gap was $16.8 billion. Benefits and taxes thus reduced the child poverty gap by $28.3 billion, or 63 percent, in 1995.

- In 1998, the child poverty gap was $38.2 billion before counting government benefits and taxes. This figure was $7 billion less than the comparable figure

for 1995. But after counting benefits and taxes, the poverty gap in 1998 was $16.4 billion, only $400 million less than the comparable figure for 1995. Safety net programs reduced the child poverty gap by 57 percent in 1998; this represented a significant drop from the 63 percent reduction for which the safety net programs were responsible in 1995. (This also is a significant drop from 1993, when safety net programs reduced the child poverty gap by 60 percent.)

These developments primarily reflect a lessening of the impact of cash assistance and food stamp benefits on child poverty.

- In 1995, cash assistance benefits based on income (primarily Aid to Families with Dependent Children benefits but also benefits under the Supplemental Security Income program for low-income disabled children) shrank the child poverty gap by 24 percent. In 1998, cash assistance benefits reduced the child poverty gap by only 16 percent, or two-thirds as much.

- Similarly, in 1995, food stamps reduced the child poverty gap a little less than 13 percent; in 1998, food stamps reduced the child poverty gap 10.5 percent.

- Together, cash assistance and food stamps reduced the child poverty gap by nearly 37 percent in 1995, but by a little less than 27 percent in 1998.

- The impact of cash assistance and food stamps in shrinking the child poverty gap declined markedly among children in married and single-parent families alike and among children in white, black, and Hispanic families alike. The decline was greatest among Hispanic children.

The lessened effect of cash and food stamp assistance in reducing the depth of child poverty reflects the sharp declines in the numbers of children who receive these benefits. Between 1993 and 1995, the number of children receiving AFDC and food stamps declined modestly as the economy improved and the number of children in poverty decreased. But between 1995 and 1998, the decline in participation in these programs greatly accelerated. While the economy continued to expand and employment and earnings increased among low-income families, participation in the cash and food stamp assistance programs fell much more rapidly than did the number of children who were poor.

- Between 1993 and 1995, the number of children receiving AFDC dropped about 5 percent, while the number of children who were poor before counting government benefits based on income declined at a similar rate of nearly 6 percent.

- By contrast, between 1995 and 1998, the number of children receiving AFDC or TANF (which replaced AFDC in 1996) plunged about 36 percent, more than three times the 10 percent decline during those years in the number of children who were poor before counting government benefits based on income.

- In both 1993 and 1995, there were 57 children receiving AFDC for every 100 children who were poor before counting benefits based on income. By 1998, only 41 children received TANF cash assistance for every 100 such poor children. The ratio of the number of children receiving cash assistance to the number of poor children was substantially lower in 1998 than in any year since 1970.

- Child participation in the food stamp program shows a similar trend. Between 1993 and 1995, the number of children receiving food stamps fell 2 percent, a rate not very different from the percentage decline in the number of poor children in these years. But between 1995 and 1998, the number of children receiving food stamps dropped 27 percent while the number of poor children fell 10 percent.

- In 1993, some 85 children received food stamps for every 100 children who were poor before counting benefits based on income. The figure for 1995 is similar — that year, 88 children received food stamps for every 100 such poor children. In 1998, by contrast, 72 children received food stamps for every 100 such poor children. (This ratio increased between 1989 and 1993; the ratio for 1998 was still slightly above the ratio for 1989.)

The decline in the role of cash and food stamp assistance programs in lessening the depth of poverty among those children who remained poor was paralleled by a decline in the role these programs play in lifting children out of poverty altogether.

- In 1995 the combination of food stamps and cash assistance benefits based on income lifted from poverty 12 percent of the children who were poor before government benefits and taxes are counted. Thus, these programs lifted from poverty about one of every eight such children.

- In 1998 these programs lifted 9 percent of such children out of poverty, about one in every eleven such children.

Despite this erosion in the impact of cash assistance and food stamp programs in lifting children from poverty, the safety net as a whole lifted the same proportion of children out of poverty in 1998 as in 1995. In both years, government benefits and taxes

lifted from poverty a total of 33 percent of the children who otherwise would have been poor.

The safety net lifted the same proportion of these children from poverty in 1998 as in 1995 because the decline in the impact of cash and food assistance programs in lifting children from poverty was offset by an increase in the anti-poverty impact of the Earned Income Tax Credit. The EITC was larger in 1998 than in 1995 (the sizeable EITC expansion enacted in 1993 did not phase in fully until 1996), and the proportion of otherwise-poor children lifted from poverty by federal income and payroll taxes and the EITC climbed from 6 percent in 1995 to nearly 10 percent in 1998.

I. Introduction

This report examines recent trends in the impact of government safety net programs, such as cash assistance, food assistance, and the Earned Income Tax Credit, on poverty among children. The effect of government programs on poverty is determined by comparing the number or percentage of children who would be poor if government benefits were *not* counted as part of their family incomes to the number or percentage who are poor when government benefits *are* counted. The difference represents the impact of government programs in lifting children out of poverty.

This report uses data the Census Bureau collects each year on the incomes of the American people, the same data on which the official poverty measure is based. These Census data include information on cash income from earnings, Social Security payments, Unemployment Compensation, Supplemental Security Income, welfare payments, and many other government cash benefits. The Census data also include certain government benefits not in the form of cash — such as food stamps, school lunches, and housing assistance — as well as federal income and payroll taxes paid and any Earned Income Tax Credits received.

The official poverty measure is based on a definition of income that includes cash payments an individual or family receives, whether from earnings, government benefits, or any other source. Benefits not in the form of cash are not counted as income in the official measure. To determine whether an individual or family is poor under the official poverty measure, that person's or family's cash income is compared to the poverty line.

This analysis uses several alternative measures of poverty that differ from the official poverty measure. These alternatives compare income to the official poverty line

but use different definitions of income. One of the measures used in this report — poverty before counting government benefits and taxes — excludes government benefits, taxes, and the EITC from income. The number of people counted as poor under this poverty measure is higher than under the official poverty count.

The measure of poverty before government benefits and taxes are counted is useful in determining the impact of the economy on poverty. If government benefits and taxes are excluded, nearly all the remaining income is that produced by the private sector, primarily as earnings from employment. Tracking this measure of poverty over time shows trends in the impact of the economy on poverty. The measure of poverty before counting government benefits rises during recessions and falls during economic recoveries.

Another measure used in this report is poverty *after* all government benefits and taxes are counted. This measure counts nearly all government benefits,[1] including not only cash assistance[2] but also benefits provided in forms other than cash, such as food stamps and housing subsidies. It also reflects the effect of taxes, including the EITC.[3] The number of people counted as poor under this measure is lower than the official poverty count because this measure includes non-cash government benefits, which are not included in the official poverty measure.

The measure of poverty before counting government benefits and taxes is not intended to represent the number of people who would be poor if these programs did not exist. Without these programs, other institutional and behavioral changes likely would occur that would affect the extent of poverty. The purpose of this type of analysis is to identify the impact of government benefits on poverty. In this report, we focus on the impact of government benefits on poverty among children.

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[1] Medical insurance programs such as Medicare and Medicaid are not included as income in this measure because these programs provide insurance protection rather than benefits that can be used for basic living expenses like food or rent. When the poverty line was set, it did not take into account the costs of medical care. If medical insurance programs were counted as income, the poverty line would have to be adjusted to compensate. The definition of income used in this measure, which counts major non-cash benefits other than health insurance as income, is similar to that recommended for measuring poverty by an expert panel of the National Academy of Sciences in 1995.

[2] Like the official poverty measure, this measure also encompasses cash assistance provided by state and local governments, including special state-funded cash aid for immigrants and state supplements to the federal Supplemental Security Income program.

[3] Generally, the effect of taxes is to lower a family's disposable income. Among low-income working families with children, however, this effect may be offset by receipt of the Earned Income Tax Credit, which adds to the family's income. If the amount of the EITC is greater than the family's tax liability, the net effect of the combination of taxes and the EITC is to reduce poverty.

II. Progress in Reducing Child Poverty Has Slowed Since 1995

The recession of the early 1990s has been followed by the longest peacetime economic recovery in modern U.S. history. Due to the improving economy and increases in employment and earnings among low-income families, the number of children living in poverty has declined significantly since 1993. Between 1993 and 1995, the reduction in child poverty was dramatic; after 1995, progress against child poverty continued, but at a much slower pace.

Increases in employment and earnings were primarily the result of growth in the economy. Some research indicates that changes in welfare policy and expansions in the EITC also contributed to the increases in employment and earnings by prompting more single parents to enter the labor force.

Declines in Number of Poor Children

Measuring poverty after counting all government benefits and taxes, the number of children in poverty dropped twice as much from 1993 to 1995 as from 1995 to 1998. From 1993 to 1995, the number of children in poverty, after counting all government benefits and taxes, fell by 2.4 million (see Table 1). By contrast, in the 1995 to 1998 period, the number of poor children after counting government benefits and taxes fell 1.2 million — half as much — despite the fact that this period is one year longer than the 1993 to 1995 period.

Averaging across each period of time, the average annual decline in the number of children in poverty after counting government benefits and taxes was 1.2 million

Table 1

NUMBER OF POOR CHILDREN BEFORE AND AFTER COUNTING GOVERNMENT BENEFITS AND TAXES				
	Number of poor children (in thousands)		Child Poverty Rate	
	Before counting government benefits and taxes	After counting government benefits and taxes	Before counting government benefits and taxes	After counting government benefits and taxes
1993	18,198	13,853	26.3%	20.0%
1995	17,098	11,443	24.2%	16.2%
1998	15,365	10,230	21.5%	14.3%
Change:				
1993-1995	-1,100	-2,410	-2.1% pts.	-3.8% pts.
1995-1998	-1,733	-1,213	-2.7% pts.	-1.9% pts.
Average Annual Change:				
1993-1995	-550	-1,205	-1.1%pts.	-1.9% pts.
1995-1998	-578	-404	-0.9% pts.	-0.6% pts.
Source: Census Bureau, Current Population Survey				

from 1993 to 1995, and 400,000 from 1995 to 1998. Thus, the average annual decline in poor children was one third as great in the more recent period as in the 1993-1995 period.

Similarly, the poverty rate among children after counting government benefits and taxes fell twice as much between 1993 and 1995 as between 1995 and 1998. In the earlier period, the child poverty rate after counting government benefits dropped by almost 4 percentage points, from 20 percent in 1993 to 16 percent in 1995. By comparison, the decline was nearly 2 percentage points in the 1995-1998 period, from 16 percent to 14 percent. Averaging across time periods, the annual decline in the child poverty rate after counting government benefits was almost 2 percentage points from 1993 to 1995, three times the annual average decline of 0.6 percentage points from 1995 to 1998.

The slowing of the rate at which poverty among children was reduced was not due to a deceleration in the economy or a reduction in earnings. To gauge the effect of the economy on child poverty, we can examine child poverty before any government benefits are counted. This measure reflects the impact of private market income,

primarily earnings, on poverty among children. Before counting government benefits, the number of children in poverty dropped an average of 550,000 per year between 1993 and 1995. Between 1995 and 1998, the annual average decline in the number of poor children before counting government benefits was 578,000. Thus, the average annual decline in the number of poor children before counting government benefits was approximately the same in both periods.

Poor Children Became Poorer

Not only did the decline in the number of poor children slow in 1995, but those children who remained poor became somewhat poorer. We use a measure researchers call the "poverty gap" to examine the severity of poverty among children. The child poverty gap is the total amount by which the incomes of all poor children fall below the poverty line.[4] In other words, the child poverty gap represents the amount of money it would take to lift every poor child exactly to the poverty line. Thus, the child poverty gap is affected by both the number of poor children and the depth of poverty of each poor child.

The poverty gap adds to our understanding of child poverty because it provides a dimension that is missing when we examine only the number of children who are poor. A child whose family income is $5,000 below the poverty line is worse off than a child whose family income is $50 below the poverty line. A poor child also may benefit from a government program if that program raises the child's family income closer to the poverty line, even if the improvement is not enough to lift the child out of poverty.

Between 1993 and 1995, the total child poverty gap after counting all government benefits and taxes fell from $20.3 billion to $16.8 billion, a drop of $3.5 billion or 17 percent (see Table 2). (All dollar figures have been adjusted for inflation.) The percentage drop over this period in the number of children who were poor after counting government benefits and taxes was approximately the same, at 17 percent. This indicates that the decline in the child poverty gap during this period was driven by the decline in the number of poor children. The average poverty gap per poor child

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[4] In computing the poverty rate or poverty gap of children, the Census Bureau uses family income and attributes a portion of that income to the children in the family. In the same manner, a portion of the gap between the family's income and the poverty line is attributed to the children. For example, a child in a four-person family would be assigned one-fourth of the dollar gap between the family's income and the poverty line. The Census Bureau defines a family as all persons living together who are related by blood, marriage, or adoption.

Table 2

POVERTY AMONG CHILDREN AFTER COUNTING GOVERNMENT BENEFITS AND TAXES						
	Number of poor children after counting all government benefits and taxes (in thousands)		Total child poverty gap after counting all government benefits and taxes (in billions of 1998 dollars)		Poverty gap for each poor child after counting all government benefits and taxes (in 1998 dollars)	
1993	13,853		$20.3		$1,468	
1995	11,443		$16.8		$1,471	
1998	10,230		$16.4		$1,604	
Change:	Number	Percent	Number	Percent	Number	Percent
1993 to 1995	-2,410	-17.4%	-$3.5	-17.2%	$3	0.2%
1995 to 1998	-1,213	-10.6%	-$0.4	-2.4%	$133	9.0%
Source: Census Bureau, Current Population Survey						

after counting government benefits and taxes remained approximately the same between 1993 and 1995.

Between 1995 and 1998, the total child poverty gap after counting government benefits and taxes declined by only $400 million, a 2 percent drop. This was much smaller than the 17 percent drop in the 1993-1995 period.

The 2 percent decline in the child poverty gap after government benefits and taxes between 1995 and 1998 also was smaller than the approximately 11 percent drop in the number of children who were poor during that period. The larger percentage reduction in the number of poor children than in the total poverty gap suggests that the children remaining in poverty became poorer between 1995 and 1998. The last column of the table shows that this is exactly what occurred — the average amount by which each poor child fell below the poverty line increased from $1,471 in 1995 to $1,604 in 1998. The $1,604 figure for 1998 represents the largest poverty gap per poor child since these data were first collected in 1979.

The figure of $1,604 is the per child poverty gap *after* counting government benefits and taxes. Before counting government benefits and taxes, the per child poverty gap was $2,489, the smallest recorded per child poverty gap before counting government programs. (See Appendix table A-2 on page 26.) This shows that while the growth of the economy and increases in employment and earnings were working to reduce the depth of poverty among children, the weakening of the safety net was great enough to offset this effect and to increase the depth of poverty among children.

Increases in Depth of Poverty Among Children Not an Artifact of Methodology, But Effect of Changes in Government Benefit Programs

The increase between 1995 and 1998 in the average poverty gap per poor child could have occurred because poor children became poorer or it could signify simply that the children who escaped from poverty during this period were primarily children whose incomes were already close to the poverty line. If the children lifted out of poverty were primarily those whose incomes were already close to the poverty line — in other words, those with smaller-than-average poverty gaps — the average poverty gap per poor child among the remaining children would be larger, even if the income level of the remaining children did not change.

Between 1995 and 1998, the number of children lifted from poverty by the Earned Income Tax Credit increased substantially. The EITC is available only to poor families with earnings, and the amount of a family's EITC rises as the family's earnings increase, up to certain levels. As a result, the children lifted from poverty by the EITC tend to be closer to the poverty line, before counting the EITC and other government benefits and taxes, than the children who remain poor after government benefits and taxes are taken into account. Since the EITC primarily lifts less-poor children out of poverty, perhaps the increase in the effect of the EITC between 1995 and 1998 made the poverty gap per poor child larger without any increase actually occurring in the depth of poverty among the children who remained poor.

To determine whether this was the case, we examined changes in the child poverty gap between 1995 and 1998 after government benefits such as cash assistance, food stamps, and housing benefits are counted but before the effect of taxes and the EITC are taken into account. This analysis shows that the poverty gap per poor child increased between 1995 and 1998 even when the effect of the EITC is removed. The number of children who were poor after counting government benefits, but before taxes and the EITC, fell by 727,000 between 1995 and 1998. Yet the total child poverty gap, measured before taxes and the EITC are taken into account, *increased* during this period from $18.7 billion to $18.9 billion. The poverty gap per poor child, measured before taxes and the EITC, climbed from $1,497 to $1,605.

These data show that the increase in the poverty gap per poor child between 1995 and 1998 is not an artifact of the EITC's lifting from poverty more children who were already closer to the poverty line. To the contrary, these data strongly suggest that the children remaining in poverty did become somewhat poorer, on average.

In addition to the effect of the EITC, it could be that the increase in the poverty gap per poor child was the result of increases in earnings that lifted out of poverty primarily those children who were already closer to the poverty line. To evaluate this possibility, we examined the data on the poverty gap among poor children before counting any government benefits. This measure of the poverty gap reflects the impact of private market income, primarily earnings, on child poverty, but not the effect of government benefits and taxes. This analysis shows that the poverty gap per poor child before counting government benefits and taxes *fell* from $2,638 in 1995 to $2,489 in 1998. This shows that the effect of increased earnings was to reduce, rather than to increase, the poverty gap per poor child.

These analyses show that the increase between 1995 and 1998 in the poverty gap per poor child after counting government benefits and taxes was primarily due to the effect of reductions in government benefits, rather than to either increases in earnings or changes in the EITC and tax policy.

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III. Some Safety Net Programs Less Effective in Reducing Child Poverty after 1995

As the previous chapter shows, child poverty has declined at a slower rate since 1995, and those children remaining in poverty have become somewhat poorer, on average. A primary reason is the declining effectiveness of some parts of the social safety net in reducing poverty among children. Some of the benefits provided to low-income families, especially cash assistance and food stamps, lifted fewer children out of poverty in 1998 than in 1995 and were less effective in reducing the depth of poverty among poor children.

On the other hand, the Earned Income Tax Credit expanded during this period and lifted more children out of poverty. The increased role of the EITC in reducing poverty among children helped to offset the decreasing role of cash assistance and food stamps.

Effect on Number of Children in Poverty

As was discussed in the previous chapter, between 1993 and 1995, the number of children in poverty fell dramatically. During this period, the safety net became significantly more effective in lifting children out of poverty. In 1993, nearly 24-percent of children who were poor before counting government benefits and taxes — almost one in four such children — were lifted out of poverty by these benefits (see Table 3). By 1995, the proportion of children poor before counting government benefits and taxes who were lifted from poverty by these benefits had risen to 33 percent, or one in every three such children.

Table 3

CHILDREN LIFTED OUT OF POVERTY BY GOVERNMENT BENEFITS					
Percent of children poor before counting government benefits who were lifted out of poverty by:	1993	1995	1998	Change 1993 to 1995 (percentage points)	Change 1995 to 1998 (percentage points)
Social Insurance	8.3%	8.1%	8.0%	-0.2%	-0.1%
Cash assistance based on income	5.3%	6.2%	4.3%	0.9%	-1.9%
Food stamps	5.1%	6.2%	4.9%	1.1%	-1.3%
Housing and other non-cash benefits	5.1%	6.6%	6.3%	1.5%	-0.3%
Taxes and EITC*	0.1%	6.0%	9.9%	5.9%	3.9%
Total - All government benefits and taxes	23.9%	33.1%	33.4%	9.2%	0.3%
Cash benefits plus food stamps	10.4%	12.4%	9.2%	2.0%	-3.2%

Source: Census Bureau, Current Population Survey

*This category shows the net impact of taxes plus the EITC. Taxes reduce available income while the EITC adds to income, so the positive impact of this category on poverty is due to the EITC.

After 1995, the number of children in poverty continued to decline, but at a slower rate. Over the same time period, the safety net continued to lift a large number of children out of poverty, but the proportion of children it lifted from poverty stopped rising. In 1998, the safety net of government assistance programs lifted from poverty 33 percent of the children who were poor before counting government benefits and taxes, the same proportion as in 1995.

This stabilization at 33 percent reflects a reduction between 1995 and 1998 in the effectiveness of the cash assistance and food stamp programs in lifting children out of poverty along with an offsetting increase in the EITC's impact in reducing child poverty. These developments differ from those in the 1993 to 1995 period, when all categories of government benefit programs based on income became more effective in lifting children from poverty.[5]

[5] The social insurance programs, which include Social Security and Unemployment Compensation, (continued...)

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Safety Net Grew Stronger in Early 1990s, Helped Cushion Effects of Recession

The U.S. economy experienced a recession during the early 1990s; between 1989 and 1993, the number of children who were poor before counting government benefits rose significantly. During this time, safety net programs offset part of the increase in child poverty caused by the worsening of the economy.

Between 1989 and 1993, the number of children who were poor before receipt of government benefits and taxes rose more than 3 million, or nearly 22 percent. But the number of children poor after government benefits and taxes are counted increased 2 million, or 17 percent. In 1989, government benefits and taxes lifted from poverty 21 percent of the children who would have been poor without such benefits; by 1993, these programs lifted nearly 24 percent of such children from poverty. By 1995, some 33 percent of such children were lifted from poverty by these programs.

As these data indicate, the safety net grew considerably stronger in the first half of the 1990s. A number of benefit programs important to poor families with children were reduced in the early 1980s; by 1993, most of these reductions had been substantially restored and some expansions had been enacted. In the food stamp program, for example, many of the reductions carried out in the early 1980s had been reversed, and basic food stamp benefit levels had been raised modestly. In the AFDC program, all states were required to extend AFDC benefits to two-parent families, and some states secured waivers enabling more low-income working parents to receive AFDC.

Of particular importance, the EITC was greatly expanded. The increase in the EITC, coupled with the modest improvements in food stamp benefits, increased substantially the number of states where a mother with earnings equal to 75 percent of the poverty line was lifted from poverty by government benefits and the tax system. In 1990, only seven states fell into this category; by 1993, all states did.

In addition, because of changes in eligibility for the Supplemental Security Income program for children, 974,000 low-income disabled children received SSI payments in 1995, compared to fewer than 300,000 six years earlier.

See Wendell E. Primus, Kathryn Porter, Margery Ditto, and Mitchell Kent, *The Safety Net Delivers: The Effects of Government Benefit Programs in Reducing Poverty*, Center on Budget and Policy Priorities, November 1996.

By 1998, cash assistance programs for low-income families and the food stamp program lifted smaller fractions of children from poverty than in 1995. In 1995, cash

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[5] (...continued)
lifted out of poverty about the same proportion of children in 1993 and 1995. These programs are provided to families based on credits earned by working and are not based on need.

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assistance for low-income families — primarily AFDC payments[6] — lifted out of poverty 6 percent of the children who were poor before counting government benefits and taxes. Food stamps lifted from poverty an additional 6 percent of such children. In 1998, some 4 percent of the children who were poor before receipt of government benefits and taxes were lifted from poverty by cash assistance benefits, a reduction of nearly one-third since 1995. Close to 5 percent of such children were lifted from poverty by food stamps.

The combined effect of cash assistance and food stamps was to lift from poverty 12 percent of the children who were poor before receipt of government benefits and taxes in 1995. By 1998, cash assistance and food stamps together lifted 9 percent of such children out of poverty.

On the other hand, the proportion of children poor before counting government benefits and taxes who were lifted from poverty by the combination of federal income and payroll taxes and the EITC rose from 6 percent in 1995 to nearly 10 percent in 1998.[7] This positive effect is the result of the expansion of the EITC.[8] The increase in the effectiveness of the EITC in lifting children from poverty offset the decline in the impact of cash assistance and food stamps on the number of poor children.

Effect on Child Poverty Gap

The total child poverty gap has declined since 1993. Virtually all of this reduction occurred between 1993 and 1995, however, when both the stronger safety net and increases in employment and earnings among low-income families reduced the poverty gap for children. Since 1995, the safety net has become less effective in reducing the child poverty gap. The total child poverty gap has remained largely unchanged during this time, even though the number of poor children has declined.

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[6] By 1998, the AFDC program had been replaced by Temporary Assistance for Needy Families, or TANF.

[7] In 1988, the EITC alone lifted from poverty 17 percent of the children who were poor before counting government benefits, or 2.6 million such children. Other tax policies offset a portion of the EITC's impact, however, and the net effect of taxes and the EITC was to lift 10 percent of such children out of poverty.

[8] In 1996, the EITC expansion enacted in 1993 took full effect.

The poverty gap *per poor child* has increased, indicating that children remaining in poverty have become poorer, on average.[9]

The total child poverty gap after counting government benefits and taxes shrank 17 percent between 1993 and 1995. It declined just 2 percent between 1995 and 1998 (see Table 4).

Table 4

CHILD POVERTY GAP BEFORE AND AFTER COUNTING GOVERNMENT BENEFITS

Total child poverty gap (in billions of 1998 dollars)

	Before counting government benefits and taxes		After counting government benefits and taxes	
1993	$50.6		$20.3	
1995	$45.1		$16.8	
1998	$38.2		$16.4	
Change:	Number	Percent	Number	Percent
1993 to 1995	-$5.5	-10.9%	-$3.5	-17.2%
1995 to 1998	-$6.9	-15.3%	-$0.4	-2.4%

Source: Census Bureau, Current Population Survey

The lack of much progress in reducing the child poverty gap since 1995 reflects the fact that the safety net has become less effective in the last several years in narrowing this gap. Between 1995 and 1998, the child poverty gap *before* counting government benefits and taxes fell $6.9 billion, or 15 percent, reflecting the effect of increases in employment and earnings in reducing the depth of child poverty. *After* government benefits and taxes are counted, however, the decrease in the child poverty gap nearly disappeared. The child poverty gap after counting government benefits and taxes shrank only $400 million — a decline of just 2 percent — between 1995 and 1998.

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[9] A modest portion of the apparent reduction in the effectiveness of the social safety net may be due to increased underreporting. As is true in all surveys, the Census Bureau's Current Population Survey, from which these data are taken, does not capture all the program benefits received by respondents. There is also some evidence that the level of underreporting has increased in recent years. However, the best available information indicates that increases in underreporting probably account for one-quarter or less of the change in the effect of cash assistance and food stamps on the poverty gap.

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The child poverty gap after counting government benefits and taxes failed to narrow much in these years even though the number of poor children fell markedly. The number of children who were poor after counting benefits and taxes dropped 1.2 million between 1995 and 1998, a development that should have led to a substantial reduction in the child poverty gap. But although earnings lifted more children out of poverty in 1998 than in 1995, reductions in some safety net programs resulted in those children who remained poor becoming poorer, on average. The net effect of fewer poor children but those children being poorer was a lack of progress between 1995 and 1998 in reducing the depth of child poverty, despite substantial economic growth and sizable drops in unemployment.

- In 1993, the child poverty gap *before* government benefits and taxes are counted was $50.6 billion. *After* counting government benefits and taxes, the gap was $20.3 billion. Thus, government benefits and taxes reduced the child poverty gap by nearly 60 percent in 1993 (see Table 5).

- In 1995, with a stronger EITC, government benefits and taxes reduced the child poverty gap nearly 63 percent.

Table 5

REDUCTION IN CHILD POVERTY GAP DUE TO GOVERNMENT BENEFITS

Percent reduction in total child poverty gap due to:	1993	1995	1998	Change 1993 to 1995 (percentage points)	Change 1995 to 1998 (percentage points)
Social Insurance	13.6%	13.5%	14.5%	-0.1%	1.0%
Cash Assistance based on income	24.3%	24.0%	16.2%	-0.3%	-7.8%
Food stamps	12.6%	12.7%	10.5%	0.1%	-2.2%
Housing and other non-cash benefits	8.3%	8.4%	9.4%	0.1%	1.0%
Taxes and EITC*	1.1%	4.1%	6.4%	3.0%	2.3%
Total - All government benefits and taxes	59.9%	62.7%	57.0%	2.8%	-5.7%
Cash benefits plus food stamps	36.9%	36.7%	26.7%	-0.2%	-10.0%

Source: Census Bureau, Current Population Survey

*This category shows the net impact of taxes plus the EITC. Taxes reduce available income while the EITC adds to income, so the positive impact of this category on poverty is due to the EITC.

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- Since 1995, however, the effectiveness of the safety net in closing the child poverty gap has eroded. In 1998, government benefits and taxes reduced the child poverty gap by 57 percent, down from the 63 percent reduction in 1995 and also below the 60 percent figure for 1993.

This decline in the effectiveness of the safety net in closing the child poverty gap — and reducing the depth and severity of child poverty — is primarily due to the lessened anti-poverty impact of cash assistance and food stamps. In 1995, cash assistance benefits reduced the child poverty gap by 24 percent. In 1998, cash assistance benefits reduced the gap by 16 percent — two-thirds as much. Similarly, in 1995, food stamps reduced the child poverty gap by a little less than 13 percent, but in 1998, the food stamp program reduced the gap 10.5 percent.

Together, cash assistance and food stamps reduced the child poverty gap nearly 37 percent in 1993 and about the same percentage in 1995. But in 1998, these two programs combined reduced the child poverty gap by close to 27 percent — some 10 percentage points less than in 1995 or 1993.

This large reduction in the impact of cash assistance for low income families and food stamps on the child poverty gap between 1995 and 1998 holds true regardless of the race of the child. Cash assistance and food stamps together reduced the poverty gap for white children by almost 30 percent in 1995, but only 23 percent in 1998 (see Table 6). For black and Hispanic children, the decline in the anti-poverty impact of cash assistance and food stamps was larger. These benefits reduced the poverty gap for black children by 42 percent in 1995, but by not quite 33 percent in 1998. For Hispanic children, these benefits reduced the poverty gap by 37 percent in 1995, but by just 24 percent, or nearly 13 percentage points less, in 1998.

Table 6

PERCENT REDUCTION IN TOTAL POVERTY GAP DUE TO CASH BENEFITS PLUS FOOD STAMPS

	All Children	Children in Single Mother Families	Children in Married Couple Families	White Non-hispanic children	Black Non-hispnanic Children	Hispanic Children
1995	36.7%	41.9%	27.2%	29.7%	42.2%	37.0%
1998	26.7%	31.6%	18.8%	23.0%	32.6%	24.4%
Percentage Point Change: 1995-1998	-10.0%	-10.2%	-8.4%	-6.7%	-9.6%	-12.6%

Source: Census Bureau, Current Population Survey

Children living in single-mother families tend to be poorer than children living with married couples, and cash assistance and food stamps have a larger impact in reducing the poverty gap of poor children living with single mothers. Nevertheless, the impact of cash assistance and food stamps on the poverty gap of children in both types of families fell between 1995 and 1998. These benefits reduced the poverty gap of children living with single mothers nearly 42 percent in 1995, but only 32 percent in 1998. For children living with married couples, cash assistance and food stamps reduced their poverty gap by 27 percent in 1995, but just about 19 percent in 1998.

IV. Child Participation in Safety Net Programs Falls Faster Than Drop in Child Poverty after 1995

Cash assistance programs and food stamps lifted fewer children out of poverty and reduced the child poverty gap less in 1998 than in 1995. Over this period, the number of children receiving cash assistance and food stamps fell faster than the number of poor children.

Drops in Child Participation in AFDC/TANF and Food Stamps

Between 1993 and 1995, the number of children receiving AFDC and food stamps decreased modestly as the economy improved and the number of children in poverty fell. Between 1995 and 1997, however, the decline in participation in these programs greatly accelerated. While the economy continued to expand and employment and earnings increased among low-income families, participation in AFDC/TANF and food stamps fell much faster than did the number of children who were poor.

Table 7 shows the number of children who were poor after counting social insurance benefits such as Social Security and Unemployment Insurance, but before counting benefits from government assistance programs based on income — such as AFDC, TANF, food and housing benefits — and before taxes. The table also shows the number of children receiving AFDC or TANF in these years. The final column of the table provides the ratio of the number of children receiving AFDC or TANF to the number of children who were poor before counting assistance programs based on income.

Table 7

NUMBER OF CHILD PROGRAM PARTICIPANTS AS A PERCENTAGEe OF THE NUMBER OF CHILDREN WHO WERE POOR BEFORE COUNTING ASSISTANCE BENEFITS BASED ON INCOME (in thousands)			
	Number of Poor Children Before Counting Benefits	Number of Child AFDC Recipients	Ratio of AFDC Child Recipients to Number of Poor Children
1989	13,846	7,286	52.6%
1993	16,685	9,439	56.6%
1994	16,324	9,440	57.8%
1995	15,717	9,009	57.3%
1996	15,426	8,355	54.2%
1997	14,890	7,161	48.1%
1998	14,131	5,803	41.1%
Change:			
1993-1995	-5.8%	-4.6%	
1995-1998	-10.1%	-35.6%	

Source: Poverty data from Census Bureau, Current Population Survey; AFDC administrative data from Department of Health and Human Services.

Note: Data in this table are not subject to the undercount of program benefits in the CPS, since these data are from administrative sources.

Between 1993 and 1995, the number of children receiving AFDC dropped about 5 percent, while the number of children poor before counting assistance programs based on income declined about 6 percent. In other words, the number of children participating in AFDC fell at a rate similar to the rate at which the number of poor children was declining. By contrast, between 1995 and 1998, the number of children receiving AFDC or TANF (which replaced AFDC in 1996) plunged about 36 percent — more than three times the 10 percent drop in the number of poor children during that period.

As a result, in 1995 there were 57 children receiving AFDC for every 100 children who were poor before counting assistance benefits for low-income families. In 1998, some 41 children received TANF cash assistance for every 100 such poor children.

Child participation in the food stamp program shows a similar effect. Table 8 presents the same data as Table 7, but for the food stamp program. Between 1993 and 1995, the number of children receiving food stamps fell 2 percent, while the number of children who were poor before counting low-income assistance programs fell almost 6

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Table 8

NUMBER OF CHILD PROGRAM PARTICIPANTS AS A PERCENTAGE OF THE NUMBER OF CHILDREN WHO WERE POOR BEFORE COUNTING ASSISTANCE BENEFITS BASED ON INCOME (in thousands)			
	Number of Poor Children Before Counting Benefits	Number of Child Food Stamp Recipients	Ratio of Food Stamp Recipients to Number of Poor Children
1989	13,846	9,429	68.1%
1993	16,685	14,196	85.1%
1994	16,324	14,391	88.2%
1995	15,717	13,860	88.2%
1996	15,426	13,189	85.5%
1997	14,890	11,347	76.2%
1998	14,131	10,140	71.8%
Change:			
1993-1995	-5.8%	-2.4%	
1995-1998	-10.1%	-26.8%	

Source: Poverty data from Census Bureau, Current Population Survey; food stamp administrative data from Department of Agriculture.

Note: Data in this table are not subject to the undercount of program benefits in the CPS, since these data are from administrative sources.

percent. Between 1995 and 1998, however, the number of children receiving food stamps dropped nearly 27 percent, while the number of children poor before counting these benefits fell only 10 percent.

In 1995, some 88 children received food stamps for every 100 children who were poor before counting assistance benefits based on income. In 1998, some 72 children received food stamps for every 100 such children in poverty. This is much lower than in 1995, but still slightly higher than the ratio of the number of children receiving food stamps to the number of poor children 1989, before food stamp participation rates began rising in the early 1990s.

As these figures indicate, since 1995, participation in these programs appears to have declined much more rapidly than improvements in the economy and increases in employment and earnings among low-income families can explain. Substantially smaller proportions of poor children are participating in cash assistance and food stamp programs than was the case just a few years ago. In fact, the ratio of 41 children

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receiving TANF for every 100 children poor before counting assistance benefits is substantially lower now than at any time since 1970.[10]

The decline in the number of poor children receiving food stamps reflects, to a small degree, the elimination of eligibility for legal immigrant children as a result of the 1996 welfare law. The ineligibility of immigrant children for food stamps (until late in 1998 [11]) can explain only a very modest portion of this decline, however, since the number of legal immigrant children involved was not large. The number of immigrant children receiving food stamps declined by somewhat less than 200,000 between 1995 and 1998. This means that only about five percent of the decline in child food stamp participation between 1995 and 1998 was due to the loss of food stamp eligibility by children who were legal immigrants.[12]

Children Lifted Out of Poverty More Likely to Have Family Earnings, EITC

Another way to look at the impact of program benefits on poverty among children is to compare the children lifted from poverty by government benefits to the children who remain in poverty after government benefits are counted. Table 9 compares the characteristics of the children lifted out of poverty by government benefits in 1998 to the characteristics of the children who remained in poverty that year.

More of the children lifted out of poverty than of the children remaining poor lived in working families. As the table shows, 85 percent of the children lifted from

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[10] See Table A-5 in Appendix A of *Indicators of Welfare Dependence*, U. S. Department of Health and Human Services, Annual Report to Congress, October 1998. These data track AFDC participation until the program was terminated in 1996, then track participation in TANF, which replaced AFDC.

[11] This change was reversed in November 1998 for legal immigrant children who entered the United States before August 22, 1996, the date the welfare law was signed.

[12] One reason this decline is small is that most children in immigrant households are not immigrants themselves, but are U.S. citizens. Urban Institute researchers report that 75 percent of all children living in a family with one or more immigrant parents are U.S. citizens.

USDA data show that between 1995 and 1998, there also was a decline of 360,000 in the number of food stamp recipients who are citizen children living with one or more immigrant parents. The welfare law did not disqualify children who are citizens; its immigrant eligibility restrictions apply only to immigrants. This decline in participation by citizen children may have been due in part to chilling effects of recent changes in government policies related to immigration and fears that receipt of benefits by citizen children could adversely affect immigrant parents. Together, children who are immigrants and children who are U.S. citizens with immigrant parents account for 15 percent of the decline in child food stamp participation between 1995 and 1998.

Table 9

CHILDREN LIFTED OUT OF POVERTY AND CHILDREN REMAINING IN POVERTY AFTER GOVERNMENT BENEFITS, 1998

	Children lifted out of poverty by government benefits and taxes	Children remaining in poverty after government benefits and taxes
Earnings	85.4%	66.2%
No earnings	14.6%	33.8%
EITC	79.1%	56.7%
No EITC	20.9%	43.3%
Food stamps	53.7%	48.1%
No food stamps	46.3%	51.9%
Housing assistance	27.7%	21.9%
No housing assistance	72.3%	78.1%
Cash assistance	30.0%	30.4%
No cash assistance	70.0%	69.6%

How to read table:

The top two lines show that 85.4 percent of the children lifted out of poverty by government benefits and taxes lived in families with earnings; the other 14.6 percent of these children lived in families that lacked earnings. Among children who remained poor after government benefits and taxes are counted, 66.2 percent lived in families with earnings while 33.8 percent lived in families without earnings.

poverty by government benefits in 1998 lived in families with earnings. A substantial majority of the children who remained poor after counting government benefits also lived in families with workers. Some 66 percent of the children who remained in poverty lived in families with earnings.

Children lifted from poverty by government benefits also were more likely to receive the EITC than were the children remaining poor. Some 79 percent of the children lifted from poverty by government benefits received the EITC; about 57 percent of the children who remained in poverty received EITC benefits.

Children lifted out of poverty by government benefits also were somewhat more likely to receive food stamps or housing assistance than the children remaining in poverty. But children lifted from poverty by government benefits were not more likely

to receive cash assistance based on income than children remaining poor. Poor families that receive cash assistance tend to have very low incomes and to be far below the poverty line, which makes it harder for cash assistance and other benefits to raise them above the poverty line.

It is not surprising that the children lifted out of poverty by government assistance programs are more likely to live in families with earnings than the children who remained poor. On account of their earnings, working poor families tend to have higher incomes and to be closer to the poverty line than poor families without earnings. As a result, it is easier for government benefits to lift poor families with earnings above the poverty line than to lift out those without earnings. In addition, the EITC, which has a large impact in reducing poverty, goes only to families with earnings; those without earnings do not qualify for the EITC.

Appendix Tables

Table A-1

IMPACT OF SAFETY NET FOR ALL CHILDREN FOR SELECTED YEARS, 1979-98.

	1979	1983	1989	1993	1994	1995	1996	1997	1998
Total Child Population (thousands)	63,375	62,333	65,602	69,292	70,020	70,566	70,650	71,069	71,338
Number of poor Children (thousands):									
Before counting government benefits and taxes	12,761	16,146	14,954	18,198	17,828	17,098	16,642	16,294	15,365
Plus social insurance	11,364	14,405	13,846	16,685	16,324	15,717	15,426	14,890	14,131
Plus cash assistance based on income	10,377	13,911	13,154	15,727	15,289	14,665	14,463	14,113	13,467
Plus food and housing benefits	8,421	12,464	11,409	13,874	13,212	12,476	12,576	12,511	11,749
Less federal taxes plus the EITC	8,620	13,293	11,811	13,853	12,613	11,443	11,341	11,080	10,230
Child Poverty Rate (in percent):									
Before counting government benefits and taxes	20.1	25.9	22.8	26.3	25.5	24.2	23.6	22.9	21.5
Plus social insurance	17.9	23.1	21.1	24.1	23.3	22.3	21.8	21.0	19.8
Plus cash assistance based on income	16.4	22.3	20.1	22.7	21.8	20.8	20.5	19.9	18.9
Plus food and housing benefits	13.3	20.0	17.4	20.0	18.9	17.7	17.8	17.6	16.5
Less federal taxes plus the EITC	13.6	21.3	18.0	20.0	18.0	16.2	16.1	15.6	14.3
Number of Children Removed From Poverty Due to (thousands):									
Social insurance	1,397	1,741	1,108	1,513	1,504	1,381	1,216	1,404	1,234
Cash assistance based on income	987	494	692	958	1,035	1,052	963	777	664
Food and housing benefits	1,956	1,447	1,745	1,853	2,077	2,189	1,887	1,602	1,718
Federal taxes plus EITC	(199)	(829)	(402)	21	599	1,033	1,235	1,431	1,519
Total	4,141	2,853	3,143	4,345	5,215	5,655	5,301	5,214	5,135
Percent of Children Removed from Poverty:									
Social insurance	10.9	10.8	7.4	8.3	8.4	8.1	7.3	8.6	8.0
Cash assistance based on income	7.7	3.1	4.6	5.3	5.8	6.2	5.8	4.8	4.3
Food and housing benefits	15.3	9.0	11.7	10.2	11.7	12.8	11.3	9.8	11.2
Federal taxes plus EITC	(1.6)	(5.1)	(2.7)	0.1	3.4	6.0	7.4	8.8	9.9
Total	32.5	17.7	21.0	23.9	29.3	33.1	31.9	32.0	33.4
Percentage point reduction in poverty rate due to:									
Social insurance	2.2	2.8	1.7	2.2	2.1	2.0	1.7	2.0	1.7
Cash assistance based on income	1.6	0.8	1.1	1.4	1.5	1.5	1.4	1.1	0.9
Food and housing benefits	3.1	2.3	2.7	2.7	3.0	3.1	2.7	2.3	2.4
Federal taxes plus EITC	(0.3)	(1.3)	(0.6)	0.0	0.9	1.5	1.7	2.0	2.1
Total	6.5	4.6	4.8	6.3	7.4	8.0	7.5	7.3	7.2

Source: Census Bureau, unpublished data

Table A-2

IMPACT OF SAFETY NET ON POVERTY GAP FOR ALL CHILDREN, FOR SELECTED YEARS, 1979-98

	1979	1983	1989	1993	1994	1995	1996	1997	1998
Total Poverty gap (billions of 98 dollars):									
Before counting government benefits and taxes	33.2	44.0	40.3	50.6	48.1	45.1	43.8	42.6	38.2
Plus social insurance	27.8	37.0	35.1	43.7	41.7	39.0	37.9	35.9	32.7
Plus cash assistance based on income	18.3	26.5	25.0	31.4	30.2	28.2	28.4	28.2	26.5
Plus food and housing benefits	12.5	18.4	16.8	20.9	19.9	18.7	19.1	19.7	18.9
Less federal taxes plus the EITC	12.5	18.9	16.8	20.3	18.3	16.8	16.7	17.4	16.4
Poverty gap per poor child (98 dollars):									
Before counting government benefits and taxes	2,602	2,725	2,697	2,779	2,696	2,638	2,630	2,613	2,489
Plus social insurance	2,450	2,572	2,532	2,620	2,554	2,482	2,456	2,412	2,312
Plus cash assistance based on income	1,763	1,904	1,901	1,999	1,977	1,923	1,965	1,997	1,965
Plus food and housing benefits	1,481	1,477	1,471	1,505	1,503	1,497	1,516	1,576	1,605
Less federal taxes plus the EITC	1,447	1,425	1,421	1,468	1,455	1,471	1,476	1,569	1,604
Percent reduction in poverty gap:									
Social insurance	16.1	15.8	13.1	13.6	13.3	13.5	13.4	15.7	14.5
Cash assistance based on income	28.8	24.0	24.9	24.3	23.9	24.0	21.6	18.1	16.2
Food and housing benefits	17.5	18.4	20.4	20.9	21.6	21.1	21.4	19.9	19.9
Federal taxes plus EITC	(0.0)	(1.2)	0.0	1.1	3.1	4.1	5.3	5.5	6.4
Total	62.4	56.9	58.4	59.8	61.8	62.7	61.8	59.2	57.1

Source: Census Bureau, unpublished data

Note: The child poverty gap is the total amount by which the incomes of all poor children fall below the poverty line. The child poverty gap represents the amount of money needed to lift every poor child to the poverty line.

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